



# **International House Trust**

## **Trustees' Report and Financial Statements**

**Year ended 31 December 2015**

**International House Trust Ltd**  
A company limited by guarantee

Company registration number (England and Wales): 1239120  
Charity registration number: 270860



**Contents**

<b>1</b>	<b>Reference information</b>
<b>2</b>	<b>Trustees' report including the strategic report</b>
2 – 7	Strategic report
2	Review of the Trust's Activities and Performance for the year
3	Company performance in 2015
4	Widening access
4	The Trust's Priorities for 2016
5	Accreditations and Professional Memberships
6	International House World Organisation
6	Risk management
7	Reserves
7	Structure, governance and management
9	Statement of trustees' responsibilities
<b>10</b>	<b>Independent auditor's report</b>
<b>12</b>	<b>Statement of financial activities</b>
	Incorporating an income and expenditure account
<b>13</b>	<b>Balance sheet</b>
<b>14</b>	<b>Cash flow statement</b>
<b>15 - 23</b>	<b>Notes to the financial statements</b>

## Trustees' report

Year ended 31 December 2015

### Board of Trustees

Angela Dean (Chair)  
Ricard Alonso Ferre (appointed 1 July 2015)  
Gavin Dudeney  
Monica Green  
Simon Greenall  
Philippe Lenoble  
Paul Mason (Vice Chair)  
Gillian Murray  
Maggie van Reenen  
Adrian Underhill  
Raul Valdivia Murgueytio (retired 21 January 2015)

**Chief Executive  
Director, Finance and Systems,  
and Company Secretary  
Director, London Operations  
Director, Sales and Marketing  
Director, Service Quality  
Head of Human Resources**

Steve Brent  
Joseph Lowe  
  
Justin Vollmer  
Emma Buckby  
Ian Dignum  
Paula Fitzgerald

### Registered office

16 Stukeley Street, Covent Garden  
London, WC2B 5LQ

### Website

[www.ihlondon.com](http://www.ihlondon.com)

### Company registration number

1239120, incorporated on 2 January 1976  
(England and Wales)

### Charity registration number

270860

### VAT registration

GB 1061 801 56

### Auditors

Crowe Clark Whitehill LLP, St Bride's House, 10  
Salisbury Square, London EC4Y 8EH

### Bankers

Allied Irish Bank (UK) PLC, 10 Berkeley Square,  
London W1J 6AA

### Solicitors

Russell-Cooke, 2 Putney Hill, London SW15 6AB



## **Trustees' report**

Year ended 31 December 2015

The trustees, who are the directors of the company for the purposes of the Companies Act, present their statutory annual report which includes the information set out on page 1 and the financial statements for the year ended 31 December 2015.

### **Strategic report**

All of the company's activities are charitable; the objects of the company are the advancement of education for the public benefit by promoting and providing for:

- The teaching and testing of foreign languages, cultural awareness and associated skills, including the teaching of English as a foreign language and teaching about English culture
- The training of teachers of foreign languages, including the teaching of English as a foreign language
- The professional development of language teachers and academic managers so as to raise standards worldwide

As a charitable company there are no shareholders; the financial surplus is all available to fund future developments.

International House opened its doors in 1953 when John and Brita Haycraft established a language school in Cordoba. In 1964 John set up an educational trust committed to raising the standards of English language teaching and training worldwide.

The company operates through IH London and two vacation residential Younger Learner Centres: IH Oxford and IH Ellesmere.

### **Review of the Trust's Activities and Performance for the year**

The trustees have had due regard to the Charity Commission's guidance on public benefit when considering the company's objectives and activities. The company relies on fee income earned in a competitive market place to cover its operating costs.

In 2015, the Trust continued to generate income through its six areas of established activity:

- General English
- Business and Specialist English
- Teacher Training (face to face, blended and online programmes)
- Modern Languages (languages other than English)
- Residential Younger Learner Programmes in Oxford and Ellesmere
- English Language Examinations

The key objectives set for the year were to:

- Replace the old IT system for student registration and general administration 'CLASS', with 'Schoolworks' a leading edge 'cloud' based system
- Develop programmes for in-country provision with overseas partners of General English and Teacher Training
- Make continuous improvements in customer service
- Grow the examinations business through our service provider relationships
- To increase student volumes and profitability of the Younger Learner Centres in Oxford and Ellesmere
- Continue to build on our relationships with the charities we work with through the Public Benefit and Partnerships Committee
- Increase the surplus from the Trust's income generating activity



## Trustees' report

Year ended 31 December 2015

There was progress and success in all of the objectives with the exception of increasing the Trust's surplus.

The strength of sterling, stricter immigration rules imposed by UKVI for students requiring visas and structural changes in the market with a particular impact on General English, were three root causes of a fall-off in student numbers in the UK ELT Sector in 2015. Performance across the income streams varied. There was a decrease in both student numbers and income on General English and Business and Specialist English programmes. This had a significant impact on the Trust's overall financial performance given General English is the largest and most profitable teaching income stream.

The Younger Learner Centres achieved marginally higher numbers than the previous year while there was some growth in Modern Languages, Teacher Training and Examinations. The Teacher Training numbers were boosted by securing a major contract with the Peruvian government to deliver a seven-week language development and methodology programme to 84 Peruvian primary and secondary school teachers.

IH London delivered a number of teacher training and development programmes overseas. These included:

- The design and delivery of a blended, in-service teacher training programme at Princess Noura University, Riyadh, Saudi Arabia
- The first commercially delivered Cambridge English CELT (S) Programme in China. CELT (S) is the Certificate in English Language Teaching for Secondary school teachers

In September, 2015 a King's College London and International House London MA in TESOL (Teaching English to Speakers of Other Languages) was launched and there were 23 course participants in the first cohort.

There was a substantial increase in the number of examinations delivered through IH London – up from 25,814 to 37,089, although changes to the British Council exams resulted in a reduction in average income per test. Part of the reason for this growth was winning the Facilities Agreement with the British Council to facilitate the delivery of the UKVI secure (SELT) IELTS test in 6 of the 10 UK cities approved by UKVI.

The Trust became one of 4 Co-Founders of AQUEDUTO (Association of Quality in Education and Training Online). AQUEDUTO was formed to fill a gap in the quality assurance of teacher training courses delivered either wholly online or as part of a blended learning programme. The British Council—MacMillan ELT Publishing and the International House World Organisation confirmed their interest in organisational membership and will have input into the development of the Assessment Framework. The Trust's involvement in this project aligns very well with part of its mission: promoting excellence in language teaching and language teacher training. The other 3 founder members of AQUEDUTO are Laureate, a network of over 80 universities in 28 countries; NILE (Norwich Institute of Language Education); and Consultants-e, a training and educational technology consultancy company. Participation involved the payment of a small subscription.

### Company performance in 2015

From a financial perspective IH London had a disappointing year with a deficit of £680k as demand was impacted by the negative factors, discussed above, that caused a down-turn in this important exporting sector of the economy. Despite this deficit the Trust finished the



## Trustees' report

Year ended 31 December 2015

year with cash reserves in excess of £1m, a low gearing ratio, and considerable realisable fixed assets.

### Financial review

Total income for 2015 amounted to £14,936k (2014: £15,103k). The net expenditure was £680k (2014: net income £116k). Expenditure for the year on charitable activities was £15,616k (2014: £14,987k).

The company repaid £275k (2014: £364k) of its long-term secured loan, reducing the loan to £2,687k at 31 December 2015 (2014: £2,962k). The loan is secured on the property at 16 Stukeley Street and is repayable over the next 10 years. Net cash indebtedness (the loan less cash and cash investments) stood at £1,657k at 31 December 2015 (2014: £1,111k).

### Responding to the difficult trading conditions

After a very positive first quarter, sales for both General English and Executive English dipped in the second quarter of 2015. Consequently, the Trust, after many years of surplus, moved into a deficit position for the year and breached covenants relating to its mortgage. Whilst the bank has stated its on-going support for the Trust, and has not required a change to the repayment arrangements, the Trustees are required to restate the remainder of the loan as a current liability. Therefore, whilst the Trust has a strong net asset position, through freehold ownership of its Covent Garden premises, the net current liabilities position has worsened since the previous year.

Whilst the Board agreed a number of cost reduction measures that were implemented in the autumn, and which have delivered savings in 2016, the downturn in the sector has been greater and more prolonged than was initially anticipated. The Board has approved a new business plan that includes a realistic assessment of future income and a further cost saving programme to be implemented by the start of the 2017 financial year. The Board considers that when combined with the expected conclusion of a successful loan renegotiation with its bankers, a process underpinned by the strong asset value of the freehold property, the Trust remains a going concern.

### The Trust's Priorities for 2016

The priority for the trust in 2016 is a return to trading at a surplus. This is to be achieved through:

- Increasing Younger Learner sales and profitability
- Expansion of the Examinations business
- Exploiting overseas opportunities to deliver in-country programmes, particularly for teacher training
- Comparative cost benefits from the fall in Sterling
- Making further cost savings without impacting on net income

### Widening access

#### Partnerships with CRISIS, STAR and IATEFL

Our long relationship with CRISIS continued in 2015. Under this programme we second an experienced, full time teacher to work alongside staff in CRISIS's Skylight Centre. This offers training in a number of areas including numeracy, literacy and IT. The IH teacher works alongside language teachers employed by CRISIS to give language improvement and examination preparation courses to refugees and the homeless who do not have English as a mother tongue. The Trust also sponsors up to 4 people a month, nominated by CRISIS, to



## Trustees' report

Year ended 31 December 2015

join IELTS Preparation Programmes and to take the IELTS Test, at IH London. These are often professional and highly skilled people who go on to gain suitable employment once they have achieved the appropriate level of language proficiency.

Since 2012, the Trust has supported STAR (Student Action for Refugees) volunteers from over 30 university groups across the UK to assist refugees improve their language skills through English Conversation clubs. This has been delivered through funding short, language teaching induction programmes and language workshops and providing online support materials, teaching tips and advice. 765 refugees benefited from attending these Conversation Clubs run by 270 volunteers in the 2014–2015 academic year.

In 2015 we further developed our STAR partnership by funding part-time, year round, qualified ESOL lecturers in Cardiff, Leeds, Liverpool, Birmingham, Manchester and Nottingham. These lecturers provide training, advice and guidance to the English Conversation Club volunteers.

The Trust's "International Association of Teachers of English as a Foreign Language (IATEFL) Scholarship Programme," attracted almost 200 entries and all six scholarships were awarded. These enable teachers from other countries to attend, and in some cases present, at the IATEFL annual conference. There are two John Haycraft Classroom Exploration Scholarships, one International House Training and Development Scholarship, two International House Global Reach Scholarships, and a Brita Haycraft Better Spoken English Scholarship.

The second IH Trust / IATEFL Training Award went to NELTA (Nepal English Language Teachers Association). The winning project was *Enhancing Communicative Proficiency of Primary English Teachers through Innovative Practices*. This Award consists of up to 20 teacher training and / or trainer training days delivered in – country by IH trainers.

We continued our work with St Marylebone High School supporting their social inclusion project which involves training sixth formers to support parents whose first language is not English in school communications in the local area.

Our total financial contribution to these wider access programmes was £70,679 in 2015 (2014: £79,000).

### Free and subsidised courses

International House Trust provides a substantial programme of free lessons (or lessons at a nominal cost) both in English as a Foreign Language and in Modern Languages to disadvantaged people in London, widening access to those who might not be able to afford the full cost of such courses. Those benefiting include unemployed people, au pairs and others who can demonstrate their need. In 2015 over 2,000 such students attended courses.

These courses are provided by supervised trainee teachers on initial teacher training courses or by experienced teachers taking a more advanced training course (Cambridge Delta.) Had the students been paying full fees for the tuition, the benefit less the notional fees received would have exceeded £1.1 million (2014: £1.7m).

### Accreditations and Professional Memberships

The Trust places great importance on the quality of the teaching, training and other related services that are provided through its schools. As a result, it has a number of accreditations and memberships that help ensure quality is maintained and, where possible, improved.



## Trustees' report

Year ended 31 December 2015

Fundamental to achieving this is the recruitment and retention of a committed, high calibre staff and the Trust has been an Investor in People for over 10 years. The Trust's key accreditations and memberships are:

**Independent Schools Inspectorate (ISI.)** The Trust holds a Highly Trusted Sponsor licence, (5BY3ENNA5), issued by the UK Visa and Immigration Authority (UKVI.)

**Eaquals** (Evaluation and Accreditation of Quality in Languages Services.)

**Accreditation UK** (the British Council and English UK). IH London is also a member of the professional body representing the accredited English Language Teaching and Language Training sector, **English UK.**

**International House World Organisation Ltd**, which has more than 150 affiliated International House schools in over 50 countries.

**Investor In People** (Bronze award achieved in 2015.)

**Cambridge Assessment** for Cambridge teacher training and examinations. IH London is also a British Council approved IELTS Centre for both the standard IELTS and the newly introduced Secure (SELT) IELTS.

### International House World Organisation

International House Trust Ltd holds 50% of the authorised share capital (plus one affiliate share) of International House World Organisation Limited (IHWO), a company serving the international affiliate network of over 150 private and independent language schools in more than 50 countries, each bearing the International House brand name and employing a common methodology of teaching.

We work with IHWO in protecting the International House brand worldwide. Further detail about IHWO is provided on their website, [www.ihworld.com](http://www.ihworld.com).

### Risk management

The trustees continue to monitor key financial performance indicators. During the year, the trustees conducted an annual review of the major risks faced by the company and have taken appropriate steps to mitigate risks.

The primary risks identified by the Board are:

- Recession in key markets such as Brazil and China
- International sanctions cutting access to markets such as Russia and Iran
- UK leaving the European Union increasing the proportion of students requiring a visa, and damaging the country's image as a place that welcomes foreigners
- Political environment in which international students are less able to obtain visas and to combine work with study, especially in comparison with competitors in other countries such as Ireland and Canada
- London is a high cost city resulting in students opting to study in lower cost UK cities and / or countries
- General trend away from face-to-face learning towards on-line learning

The Board is mitigating these risks, which collectively depress demand for the Charity's core services, through a cost reduction programme, to match supply with demand whilst also investing in the growing examinations, young learner and teacher training products.

The trustees have considered the issues raised in *Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009* issued by the Financial Reporting Council. The trustees



## **Trustees' report**

Year ended 31 December 2015

have reviewed the main trends and factors affecting future developments, performance, the market position of IH London, IH Oxford and IH Ellesmere, the potential impact of the worldwide economic outlook, currency variations, possible changes in UK legislation and the company's obligations and covenants under agreements relating to property, the bank loan and other contracts, and have reviewed trading and cash projections to December 2017. As discussed above the trustees are satisfied that the company is a going concern.

The company operates a business continuity plan in order to mitigate potential problems arising from any unavailability of the property or information systems. This includes an arrangement to relocate core administration functions to another location in London at short notice.

### **Reserves**

The company's reserves are constituted wholly by unrestricted funds. As at 31 December 2015 the reserves stood at £10,892k (2014: £11,572k); the reduction substantially resulting from the year's deficit. The company pursues a policy of maintaining and where possible increasing the reserves in order to support the company's ongoing activities. As discussed above in the 'Trust's priorities for 2016' steps are being taken to increase reserves.

The trustees maintain a planned level of cash and short-term deposits, taking account of:

- The company's charitable purposes
- Operational and financial risks and seasonal fluctuations
- Cash which may be needed for future developments

The underlying free reserves of the company stood at £nil at 31 December 2015 (2014: £nil).

Cash generated which is surplus to these requirements will continue to be applied to making improvements to the company's facilities and investing in other future charitable activities.

The trustees consider that the current levels of free reserves and cash are adequate, given that:

- The majority of income is received in advance of courses starting which provides the company with a strong cash flow
- The company has a history of generating trading surpluses as well as cash inflows from its activities
- The company has recourse to additional finance secured on the freehold property

The company maintains its short-term deposits divided between banks in order to obtain the best risk free market return.

### **Structure, governance and management**

The company is governed by its Memorandum and Articles of Association adopted on 2 January 1976 and last amended on 28 September 2009.

There must be at least 7 but no more than 15 trustees. All trustees are also the members of the company; the guarantee of each member is limited to £1. Trustees serve for a term of four years and may be appointed to serve for one further term (or in the case of a Chair or former Chair two further terms).

Trustees are recruited by advertisement and by the personal recommendation of existing trustees and interviewed by the Nominations Committee. Candidates are appointed as a trustee by a resolution passed by the Board. New trustees are provided with an induction



## Trustees' report

Year ended 31 December 2015

have reviewed the main trends and factors affecting future developments, performance, the market position of IH London, IH Oxford and IH Ellesmere, the potential impact of the worldwide economic outlook, currency variations, possible changes in UK legislation and the company's obligations and covenants under agreements relating to property, the bank loan and other contracts, and have reviewed trading and cash projections to December 2017. As discussed above the trustees are satisfied that the company is a going concern.

The company operates a business continuity plan in order to mitigate potential problems arising from any unavailability of the property or information systems. This includes an arrangement to relocate core administration functions to another location in London at short notice.

### Reserves

The company's reserves are constituted wholly by unrestricted funds. As at 31 December 2015 the reserves stood at £10,892k (2014: £11,572k); the reduction substantially resulting from the year's deficit. The company pursues a policy of maintaining and where possible increasing the reserves in order to support the company's ongoing activities. As discussed above in the 'Trust's priorities for 2016' steps are being taken to increase reserves.

The trustees maintain a planned level of cash and short-term deposits, taking account of:

- The company's charitable purposes
- Operational and financial risks and seasonal fluctuations
- Cash which may be needed for future developments

The underlying free reserves of the company stood at £nil at 31 December 2015 (2014: £nil).

Cash generated which is surplus to these requirements will continue to be applied to making improvements to the company's facilities and investing in other future charitable activities.

The trustees consider that the current levels of free reserves and cash are adequate, given that:

- The majority of income is received in advance of courses starting which provides the company with a strong cash flow
- The company has a history of generating trading surpluses as well as cash inflows from its activities
- The company has recourse to additional finance secured on the freehold property if required for future investments

The company maintains its short-term deposits divided between banks in order to obtain the best risk free market return.

### Structure, governance and management

The company is governed by its Memorandum and Articles of Association adopted on 2 January 1976 and last amended on 28 September 2009.

There must be at least 7 but no more than 15 trustees. All trustees are also the members of the company; the guarantee of each member is limited to £1. Trustees serve for a term of four years and may be appointed to serve for one further term (or in the case of a Chair or former Chair two further terms).

Trustees are recruited by advertisement and by the personal recommendation of existing trustees and interviewed by the Nominations Committee. Candidates are appointed as a trustee by a resolution passed by the Board. New trustees are provided with an induction



## Trustees' report

Year ended 31 December 2015

programme and ongoing training is arranged as needed for all trustees. In 2015 we welcomed Ricard Alonso Ferre as a new trustee.

The Board records its gratitude to Raul Valdivia Murgueytio who retired as a trustee.

The Board of Trustees met 5 times in 2015: 4 Board Meetings and an Away Day on 15<sup>th</sup> July. These meetings help to ensure that the trustees can be satisfied that the company will continue to trade successfully and is a going concern. Issues which the trustees consider include:

- Academic excellence
- Customer service excellence
- Use of technology in both teaching and administration
- International growth in demand for English language learning both in the UK and in other countries
- Major developments to expand our offer in the longer term
- Staff and organisational development
- Capital investment proposals
- Cash requirements including loan finance

The Board of Trustees delegates day-to-day responsibilities for management to the senior management team, led by Steve Brent as Chief Executive. Further detail about the activities of International House Trust and about the trustees is shown on the trust section of the IH London website, [www.ihlondon.com/about/ih-trust](http://www.ihlondon.com/about/ih-trust)

### Board Committees

The **Audit Committee** (which met twice in 2015) is responsible for monitoring the management of the risks facing the company and reviewing the annual financial statements. The Committee comprised Maggie van Reenen (Chair), Gillian Murray, Paul Mason and Adrian Underhill.

The **Nominations Committee** (which met twice in 2015) is responsible for reviewing the composition and governance of the Board and for developing policies for managing trustee rotation. The Committee comprised Angela Dean (Chair), Simon Greenall and Maggie van Reenen.

The **Finance and General Purposes Committee** (which met 5 times in 2015) is responsible for advising the Board on matters such as the school's business and financial performance, loan servicing, capital expenditure and issues relating to property as well as a general remit to prepare issues for presentation to the Board. The Committee comprised Paul Mason (Chair), Angela Dean, Maggie van Reenen, Gavin Dudeney, Raul Valdivia Murgueytio (until 21 January, 2015), Philippe Lenoble, Monica Green and Ricard Alonso Ferre (from 30 September, 2015.)

The **Public Benefit and Partnerships Committee** (which met 3 times in 2015) is responsible for developing the company's wider access agenda. The Committee comprised Gillian Murray (Chair), Raul Valdivia Murgueytio (until 21 January 2015), Simon Greenall, Gavin Dudeney and Adrian Underhill.

The **Remuneration Committee** (which met 3 times in 2015) is responsible for reviewing and agreeing remuneration policies for senior management, the charity's 'key management personnel', for which it has been given delegated authority, as well as reviewing the remuneration policies for all staff. The Committee comprised Angela Dean (Chair), Paul Mason and Maggie van Reenen. Senior management pay is determined by a policy, which



## Trustees' report

Year ended 31 December 2015

takes account of the market rate for similar roles in Central London, organisational affordability and individual contribution.

### Governance of International House World Organisation Ltd (IHWO)

Steve Brent and Simon Greenall continued as the Trust's appointed members on the IHWO Board. This Board met three times during 2015.

### Statement of trustees' responsibilities

The trustees (who are the directors of the company for the purposes of company law) are responsible for preparing the trustees' report and the financial statements in accordance with applicable law and regulations. Company law requires the trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law.

Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of its net incoming resources for that period. In preparing these financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently
- Observe the methods and principles in the Charity Statement of Recommended Practice (SORP)
- Make judgments and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue to operate

The trustees are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the trustees is aware:

- There is no relevant audit information of which the company's auditor is unaware
- Each of the trustees has taken all steps that he/she ought to have taken to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

The trustees' report including the strategic report on pages 2 to 9 was approved by the Board of Trustees on 30 September 2016 and signed on its behalf by:



Angela Dean

Chair

30 September 2016



## **Independent auditor's report to the members of International House Trust**

Year ended 31 December 2015

We have audited the financial statements of International House Trust Limited for the year ended 31 December 2015 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes numbered 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of trustees and auditor**

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Strategic Report and the Trustees' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2015 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;



**Independent auditor's report to the members of International House Trust**

Year ended 31 December 2015

- have been properly prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion based on the work undertaken in the course of our audit the information given in the Strategic Report and the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Tina Allison  
Senior Statutory Auditor  
For and on behalf of CROWE CLARK WHITEHILL LLP  
Statutory Auditor  
London

30 September 2016

## Statement of financial activities incorporating an income and expenditure account

Year ended 31 December 2015

	Note	2015 £'000	2014 Restated £'000
<b>Income from:</b>			
Charitable activities			
Teaching and learning	2	14,735	14,751
Investments		4	8
Other		197	344
<b>Total</b>		<b>14,936</b>	<b>15,103</b>
<b>Expenditure on:</b>			
Charitable activities	3	15,616	14,987
<b>Total</b>		<b>15,616</b>	<b>14,987</b>
<b>Net (expenditure) / income</b>	15	<b>(680)</b>	<b>116</b>
<b>Net movement in funds</b>		<b>(680)</b>	<b>116</b>
<b>Reconciliation of funds:</b>			
Funds brought forward		11,572	11,456
<b>Total funds carried forward</b>		<b>10,892</b>	<b>11,572</b>

All the above results relate to unrestricted funds.

The notes on pages 15 to 23 form part of these financial statements.



## Balance sheet

As at 31 December 2015

	Note	2015 £'000	2014 Restated £'000
<b>Fixed assets</b>			
Tangible fixed assets	8	14,254	14,317
Intangible fixed assets	9	472	367
Investments	10	1	1
		<b>14,727</b>	14,685
<b>Current assets</b>			
Debtors	11	1,730	1,614
Short term deposits		385	1,262
Cash at bank and in hand		645	589
		<b>2,760</b>	3,465
<b>Creditors: amounts falling due within one year</b>	12	(6,595)	(3,981)
<b>Net current liabilities</b>		<b>(3,835)</b>	(516)
<b>Net assets less current liabilities</b>		<b>10,892</b>	14,169
<b>Creditors: Amounts falling due after more than one year</b>	13	-	(2,597)
<b>Total net assets</b>		<b>10,892</b>	11,572
<b>The funds of the charity:</b>			
Unrestricted funds		10,892	11,572
<b>Total charity funds</b>		<b>10,892</b>	11,572

The notes on pages 15 to 23 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Trustees on 30 September 2016 and signed on their behalf by:



Angela Dean  
Chair



## Cash flow statement

Year ended 31 December 2015

	Note	2015 £'000	2014 Restated £'000
<b>Cash flows from operating activities:</b>			
<b>Net cash provided by operating activities</b>	i	<b>1</b>	1,277
<b>Cash flows from investing activities:</b>			
Interest received		4	8
Purchase of tangible fixed assets		(385)	(88)
Purchase of intangible fixed assets		(166)	(367)
<b>Net cash (used in) investing activities</b>		<b>(547)</b>	(447)
<b>Cash flows from financing activities:</b>			
Repayment of borrowing		(275)	(364)
<b>Net cash used in financing activities</b>		<b>(275)</b>	(364)
Changes in cash and cash equivalents in the year		(821)	466
Cash and cash equivalents at 1 January 2015		1,851	1,385
<b>Cash and cash equivalents at 31 December 2015</b>	ii	<b>1,030</b>	1,851

### Note i) Reconciliation of net incoming resources to net cash inflow from operating activities

	2015 £'000	2014 £'000
Net (expenditure) / income for the year (as per the Statement of financial activities)	(680)	116
Depreciation charges	509	615
Interest receivable	(7)	(8)
(Increase) / decrease in debtors	(116)	496
Increase/(decrease) in creditors (excluding the bank loan)	295	58
<b>Net cash inflow from operating activities</b>	<b>1</b>	1,277

### Note ii) Analysis of cash and cash equivalents

	1 January 2015 £'000	Cash flow £'000	31 December 2015 £'000
Cash at bank and in hand	589	56	645
Short term deposits	1,262	(877)	385
<b>Total cash and cash equivalents</b>	<b>1,851</b>	<b>(821)</b>	<b>1,030</b>



## Notes to the accounts

### 1 Accounting policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

#### a. Company Information

International House Trust Ltd is a private company, limited by guarantee, domiciled in England and Wales (registration number 1239120) and is a charity registered with the Charity Commission in England and Wales (registration number 270860). The registered office is 16 Stukeley Street, Covent Garden, London WC2B 5LQ.

#### b. Basis of financial statements

The financial statements have been prepared in accordance with the Charities SORP (FRS102) applicable to charities preparing their accounts in accordance with FRS102 the Financial Reporting Standard applicable in the UK and Republic of Ireland, the Charities Act 2011, the Charities Accounts (Scotland) Regulations 2006 and UK Generally Accepted Practice as it applies from 1 January 2015.

The charity constitutes a public benefit entity as defined by FRS 102.

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 the restatement of comparative items was required. In their estimation, the impact of transitioning is not material to the financial statements and therefore, other than the categorisation of income and expenditure, the restatement of comparative items is not required. The transition date was 1 January 2014.

In a change in accounting policy in relation to debtors, amounts invoiced but not yet due for payment are now recognised as debtors. Previously these amount were netted off against course fees in advance. This change has increased debtors in 2014 by £654k and increased creditors in 2014 by the same amount.

As discussed in the Trustees Report the Trustees have reviewed their forecasts and cash flow requirements for the foreseeable future. Given the expected successful loan re-negotiation the trustees consider that the charity will have adequate working capital available to continue in operational existence for the foreseeable future. On that basis they believe the going concern basis of accounting is appropriate for these annual financial statements.

#### c. Income

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably. Income received in advance of the provision of a service is deferred until the criteria for income recognition are met. Specifically:

- Tuition fees are accounted for across the period in which the course is provided. Income relating to courses and related accommodation delivered across financial periods is apportioned based on the number of course days that fall in each period.
- Investment income, rental income and trading income are accounted for in the period to which they relate.
- Examination income is recognised in the period in which the examination takes place.

#### d. Expenditure

Charitable activities result in expenditure related to the direct furtherance of the company's charitable objectives. All expenditure is accounted for on the accruals basis. Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the company to the expenditure. The cost headings comprise expenditure directly attributable to the activity.

Direct costs comprise accommodation, teaching salaries and payments, examinations department costs, agents commission, student social programme, teaching materials, student insurance and activities to widen access amongst disadvantaged groups.

**Notes to the accounts**

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. They are allocated directly to the company’s charitable activities following categorisation in accordance with the following table:

Category	Definition
Support staff	All non-direct employee costs, including employees managing teaching staff, including any bonus, redundancy and terminations payments, recruitment, training and welfare costs.
Marketing and communications	Marketing and communications costs, excluding employee costs.
Establishment and Office	Facility expenditure (including rent, rates and utilities), and stationery, phone, postage and IT costs, excluding staff costs.
Finance, legal and professional	Finance costs including bank charges, merchant fees and VAT payable on agent commissions, current gains and losses, legal, surveyor and other professional fees. Employee costs are excluded.
Other expenses	Other costs including travel, hospitality, and subsistence, product development, subscriptions and any other costs not falling within another category.

Governance costs, included within support costs, relate to compliance with constitutional and statutory requirements and include an apportionment of the CEO’s and Finance Director’s employee costs, trustees’ expenses and audit fees.

e. Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably; this is normally upon notification of the interest paid or payable by the Bank.

f. Operating leases

Where title to the equipment remains with the lessor rental charges are charged on a straight-line basis over the term of the lease.

g. Fund accounting

Unrestricted funds are available for use at the discretion of the trustees in furtherance of the charitable objectives of the company.

h. Tangible fixed assets

Tangible fixed assets costing more than £250 used by the company over a period of one year or more are capitalised:

- Freehold land is not depreciated.
- Freehold buildings are depreciated over 50 years.
- Fixtures, fittings and furniture are depreciated over 10 years on a straight-line basis.

i. Intangible fixed assets

Intangible fixed assets costing more than £1,000 used by the company over a period of one year or more are capitalised:

- Course development, computers, website development, video equipment, language laboratories and equipment and associated software are depreciated over 3 years on a straight-line basis.



## Notes to the accounts

- 'Schoolworks', the school's main management information system is depreciated over 7 years on a straight line basis.
- j. Cash at bank and in hand and short term deposits  
Cash at bank and cash in hand are funds available to the Charity. Other cash is categorised as short-term deposits.
- k. Debtors  
Trade debtors are amounts invoiced and unpaid. Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.
- l. Creditors – course fees in advance  
Course fees in advance represents deferred income are for amounts received, or due for receipt, but where all or part of the course has not yet been provided.
- m. Taxation  
The company is a registered charity. It is not liable to income tax or corporation tax on income derived from its charitable activities.  
As an educational body the company is exempt from charging value added tax (VAT) on its services. Where appropriate, expenditure is recorded inclusive of irrecoverable VAT.
- n. Estimation uncertainty  
In the application of the charity's accounting policies Trustees are required to make judgements, estimates, assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects the current and future periods.  
In the view of the Trustees, no assumptions concerning the future or estimation uncertainty affecting assets and liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.
- o. Financial instruments  
The trust only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans that are subsequently measured at amortised cost using the effective interest method.  
Financial assets comprise debtors less prepayments. Financial liabilities comprise creditors.
- p. Pensions  
A group personal pension (GPP) scheme operated through Scottish Widows is available to all permanent employees with three month's service. The employer's contribution is equal to 7% of basic salary and the employee determines their contribution. The offers a salary sacrifice option and these contributions are included within the employer's pension scheme contributions. Employees who are not eligible for the GPP scheme are auto-enrolled into 'The People Pension' in accordance with current employment legislation.



**Notes to the accounts**

**2 Incoming resources from charitable activities - teaching and examinations**

	<b>2015</b>	2014
	<b>£'000</b>	Restated £'000
Adult Language courses	5,641	5,582
Young learners	1,311	1,272
Teacher training courses	2,017	2,015
Examination fees	3,984	4,002
Accommodation	1,782	1,880
	<b>14,735</b>	14,751

**3 Expenditure on charitable activities**

	<b>2015</b>	2014
	<b>£'000</b>	Restated £'000
Direct costs of teaching and examinations		
Adult Language courses	2,490	2,888
Young learners	1,099	1,006
Teacher training courses	1,053	997
Examinations	3,325	2,809
Accommodation	1,794	1,973
Other direct costs	127	190
	9,888	9,863
Support costs	5,728	5,124
	<b>15,616</b>	14,987

**4 Expenditure on support costs and governance**

	General Support	Governance	<b>2015</b>	2014
	£'000	£'000	<b>£'000</b>	Restated £'000
Staff	2,677	41	2,718	2,439
Marketing and communications	508	-	508	514
Establishment and office	1,348	-	1,348	1,035
Finance, legal and professional	191	33	224	178
Depreciation	509	-	509	615
Interest payable	52	-	52	58
Other expenditure	369	-	369	285
	5,654	74	<b>5,728</b>	5,124



**Notes to the accounts**

**5 Staff costs**

	<b>2015</b>	2014
	<b>£'000</b>	Restated £'000
Gross salaries	5,214	5,340
Social security costs	468	460
Employer's pension scheme contributions	440	398
	<u>6,122</u>	<u>6,198</u>
Self-employed and agency staff	292	456
	<u><b>6,414</b></u>	<u><b>6,654</b></u>

The number of employees whose emoluments for the year (including taxable benefits but not employer's pension scheme contributions) exceeded £60,000 was:

	<b>2015</b>	2014
Employees earning between:		
£120,001 and £130,000	1	1
£110,001 and £120,000	-	-
£100,001 and £110,000	2	1
£90,001 and £100,000	-	1
£80,001 and £90,000	1	1
£70,001 and £80,000	-	-
£60,001 and £70,000	-	-
	<u>4</u>	<u>4</u>

Employer pension contributions totalling £23,222 (2014: £20,950) were made for the above employees. The aggregate remuneration, including any applicable employers pension contributions, performance bonus and healthcare benefit for 'key management personnel' was £501,513 (2014: £477,648). During the year redundancy and termination payments of £37,838 (2015: £Nil) were paid.

The headcount of employees analysed by function was:

	<b>2015</b>	2014
	<b>Headcount</b>	Headcount
Charitable activities		
Examinations	61	59
Teaching	108	123
Support	52	59
	<u><b>221</b></u>	<u><b>241</b></u>



**Notes to the accounts****6 Trustee remuneration**

The trustees neither received nor waived any emoluments during the year (2014: £nil). Eleven trustees (2014: 9 trustees) were reimbursed travelling expenses of £6,229 (2014: £11,066) during the year.

Simon Greenall is appointed by International House Trust Ltd to be a director of International House World Organisation Ltd (IHWO), a company which is 50% owned by International House Trust Ltd. He neither received nor waived any emoluments during the year (2014: £nil) for his services as directors of IHWO but was reimbursed travelling expenses.

Monica Green holds a controlling interest in IH Torres Vedras language schools, which traded with IH London on standard commercial terms.

Monica Green is Executive Director of IHWO and in this capacity is paid by IHWO.

**7 Operating leases**

The charity has the following future minimum lease payments under non-cancellable operating leases for each of the following years:

	<b>31 December 2015 £'000</b>
Within one year	12
Between one year and five years	20
More than five years	-
	<b>32</b>

**8 Tangible fixed assets**

	Freehold land and buildings	Leasehold properties	Fittings, furniture and equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
1 January 2015	15,700	635	1,905	18,240
Additions	-	273	112	385
Disposals	-	-	-	-
31 December 2015	<b>15,700</b>	<b>908</b>	<b>2,017</b>	<b>18,625</b>
<b>Depreciation</b>				
1 January 2015	2,683	84	1,156	3,923
Charge	151	38	259	448
	-	-	-	-
31 December 2015	<b>2,834</b>	<b>122</b>	<b>1,415</b>	<b>4,371</b>
<b>Net book value</b>				
31 December 2015	12,866	786	602	<b>14,254</b>
1 January 2015	13,017	551	749	14,317



Notes to the accounts

The leasehold properties are an extension to the freehold building at 16 Stukeley Street and office accommodation at Shaftesbury Avenue. 'Freehold land and buildings' includes £3m of non-depreciating freehold land. The depreciation charge includes a credit of £170k relating to land previously depreciated.

9 Intangible fixed assets

	Schoolworks £'000	Website £'000	Course £'000	Total £'000
<b>Cost</b>				
1 January 2015	367	-	-	367
Additions	144	22	89	166
Disposals	-	-	-	-
31 December 2015	511	22	89	533
<b>Depreciation</b>				
1 January 2015	-	-	89	-
Charge	58	3	-	61
Disposals	-	-	-	-
31 December 2015	58	3	89	61
<b>Net book value</b>				
31 December 2015	452	19	-	472
1 January 2015	367	-	-	367

10 Investments

	2015 £	2014 £
International House World Organisation Ltd (at cost)	500	500

The company owns the Trust Share representing 50% of the issued share capital with a book value of £500 and 1 Affiliate Share in International House World Organisation Ltd (IHWO). Decisions by IHWO in general meeting can only be made with the agreement of both classes of shareholder and consequently the trustees do not consider that International House Trust exercises control over IHWO. The IHWO results for the year ended 31 December 2015 were:

	2015 £'000	2014 £'000
IHWO total results		
Income	531	541
Profit after tax	11	27
Shareholders' equity at 31 December 2015	520	371
International House Trust Ltd: 50% of shareholders' equity at 31 December 2015	260	186



## Notes to the accounts

**11 Debtors**

	<b>2015</b>	2014
	<b>£'000</b>	£'000
Trade debtors	1,322	1,203
Other debtors	200	15
Prepayments	200	387
Staff loans and advances	8	9
	<b>1,730</b>	1,614

**12 Creditors: amounts falling due within one year**

	<b>2015</b>	2014
	<b>£'000</b>	£'000
Loans repayable within one year	2,684	365
Trade creditors	1,247	1,083
Accruals and other creditors	502	620
Other taxes and social security costs	121	125
Course fees in advance	2,041	1,788
	<b>6,595</b>	3,981

**13 Creditors: amounts falling due after more than one year**

	<b>2015</b>	2014
	<b>£'000</b>	£'000
Loan repayable within two to five years	-	1,166
Loan repayable in more than five years	-	1,431
Creditors: amounts falling due after more than one year	-	2,597
Loan repayable within one year	2,686	365
Secured loan total	<b>2,686</b>	2,962

The secured loan is from Allied Irish Bank (UK) PLC. This loan is secured by a fixed charge on the freehold land and building at 16 Stukeley Street and by a fixed and floating charge over all other assets. The current interest rate is LIBOR (London Interbank Offered Rate) plus 1.25%.

The loan was obtained to enable the purchase of the freehold land and building at 16 Stukeley Street in 2006. Capital repayments of £275k were made during 2015 (2014: £360k). The remaining loan is expected to be repaid over the next 10 years in accordance with the agreed repayment schedule. As disclosed in the trustees report due to a breach of the loan agreement the accounts are required to state the loan as a current liability despite the agreed repayment schedule being in force. The breach relates to the supply of financial



**Notes to the accounts**

information and the size of the deficit when measured before interest, tax and depreciation. The anticipated loan repayments are one year £458k, two to five year £1,046k and in more than five years £1,182k. The Trust is in the process of renegotiating its loan arrangements with its bankers to extend the term of the loan.

**14 Capital commitments**

There were commitments estimated at £Nil (2014: £40k) at 31 December 2015.

**15 Net income/ (expenditure) for the year**

This is stated after charging:

	2015 £'000	2014 £'000
Depreciation	509	615
Auditor's remuneration		
Audit fees	26	22
Other services	-	1
Leasehold property rent	155	115
Operating leases equipment	30	26
Interest payable	52	58

**16 Analysis of net borrowing**

	01 January 2015 £'000	Cash flow £'000	31 Dec. 2015 £'000
Secured loan	(2,962)	275	(2,687)
Cash at bank and in hand	589	56	645
Short-term deposits	1,262	(877)	385
	<u>(1,111)</u>	<u>(546)</u>	<u>(1,657)</u>

**17 Share capital**

The company is limited by guarantee and does not have share capital. Members are not entitled to any dividends or to a share in the assets on dissolution. Each member undertakes to contribute up to a maximum sum of £1 on winding up. Each member has one vote. There were 10 members as at 31 December 2015 (2014: 10).

**18 Financial Instruments**

The company's financial assets measured as amortised cost are £1,281k (2014 £1,227k). The company's financial liabilities measured as amortised cost are £6,480k (2014 £6,578k).